

Message Text

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ACTION EUR-12

INFO OCT-01 NEA-10 ISO-00 CIAE-00 DODE-00 PM-04 H-01
INR-07 L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15
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AMEMBASSY COPENHAGEN
AMEMBASSY DUBLIN
AMEMBASSY LUXEMBORUG
AMEMBASSY PARIS
AMEMBASSY ROSE
AMEMBASSY THE HAGUE
USMISSION EC BRUSSELS
USMISSION OECD PARIS
AMEMBASSY TEL AVIV
AMEMBASSY KUWAIT
AMEMBASSY JIDDA
AMEMBASSY DAMASCUS

C O N F I D E N T I A L LONDON 2620

E.O. 11652: GDS
TAGS: ETRD, PFOR, UK, XF, IS
SUBJ: ARAB BOYCOTT: METAL BOX CASE

SUMMARY. A MAJOR UK FIRM, METAL BOX COMPANY, HAS
SEVERED ITS RELATIONSHIP WITH AN ISRAELI CORPORATION
UNDER PRESSURE OF AN ARAB TERTIARY BOYCOTT. THIS ACTION
HAS CAUSED CONSIDERABLE PUBLICITY IN THE UK AND THE
GOVERNMENT HAS COME UNDER INCREASED PRESSURE TO TAKE A
STRONGER LINE AGAINST THE BOYCOTT. HOWEVER, WE SEE LIT-
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TLE LIKELIHOOD THAT THE GOVERNMENT WILL CHANGE ITS
LAISSEZ FAIRE ATTITUDE IN THE NEAR FUTURE. END SUMMARY.

1. IN WHAT IS THE FIRST SUCCESSFUL TERTIARY BOYCOTT OF
A MAJOR UK FIRM TO OUR KNOWLEDGE, METAL BOX IS SELLING
OFF ITS 27 PERCENT HOLDING IN ISRAEL CAN COMPANY. METAL
BOX IS BRITAIN'S LARGEST PACKAGING COMPANY, CONTROLLING

70 PERCENT OF THE DOMESTIC TIN CAN MARKET AND PRODUCING A GROSS ANNUAL TURNOVER OF ABOUT 500 MILLION POUNDS (865 MILLION DOLLARS) WORLDWIDE. METAL BOX HAS HELD ITS APPARENTLY PROFITABLE INVESTMENT IN ISRAEL CAN COMPANY FOR OVER 25 YEARS AND HAS BEEN ON THE ARAB BOYCOTT LIST FOR A NUMBER OF YEARS BECAUSE OF THIS HOLDING. THE BOYCOTT HAS RESULTED IN METAL BOX HAVING NO DIRECT TRADE WITH A NUMBER OF ARAB COUNTRIES, BUT WITH LITTLE EFFECT ON THE COMPANY'S OPERATIONS OTHERWISE.

2. ABOUT 18 MONTHS AGO ARAB PRESSURES, ESPECIALLY FROM KUWAIT AND SAUDI ARABIA, WERE STEPPED UP AND THE DAMASCUS BOYCOTT OFFICE NOTIFIED SOME CANNED FOOD SUPPLIERS, BOTH BRITISH AND AMERICAN, THAT THEIR PRODUCTS WOULD BE BLACK-LISTED IF THEY CONTINUED TO USE CANS OR PACKAGING FROM METAL BOX. THE PRESS HERE HAS SPECULATED THAT THREE MAJOR U.S. CUSTOMERS OF METAL BOX -- CAMPBELL SOUP, HEINZ COMPANY, AND PEPSI COLA -- PUT PRESSURE ON METAL BOX TO DROP ITS ISRAELI INVESTMENT. ALL THREE U.S. COMPANIES PUBLICLY DENIED THIS.

3. AFTER SEVERAL DAYS OF MOUNTING SPECULATION IN THE LONDON PRESS, METAL BOX ANNOUNCED LAST LAST WEEK A COMPLETE TERMINATION OF ITS RELATIONSHIP WITH ISRAEL CAN COMPANY.

4. THIS CASE HAS TRIGGERED A BURST OF ACTIVITY BY THE JEWISH COMMUNITY AND OTHER ANTIBOYCOTT SUPPORTERS DESIGNED TO PUT PRESSURE ON THE UK GOVERNMENT TO TAKE A STRONGER LINE AGAINST THE ARAB BOYCOTT OF ISRAEL. THE
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ISRAELI AMBASSADOR HAS RAISED THE ISSUE WITH PRIME MINISTER CALLAGHAN, SEVERAL MEMBERS OF PARLIMENT HAVE ASKED TRADE SECRETARY DELL TO SPEAK OUT MORE FORECEFULLY, AND QUESTIONS HAVE BEEN PUT TO GOVERNMENT SPOKESMEN IN THE HOUSE OF COMMONS.

5. PRESS TREATMENT HAS BEEN FAIRLY EXTENSIVE AND STRAIGHTFORWARD. THE ONLY EDITORIAL COMMENT HAS BEEN FROM THE FINANCIAL TIMES WHICH TOOK THE LINE THAT THE WHOLE THING IS TOO BAD AND IT WOULD BE NICE IF THE GOVERNMENT TOOK A STRONGER POSITION, BUT LET'S NOT DO TOO MUCH TO JEOPARDIZE THAT PROFITABLE AND EXPANDING MARKET OUT THERE.

6. AS FAR AS WE CAN TELL AT THIS POINT, THE METAL BOX CASE AND ATTENDANT ACTIVITY HAVE NOT CAUSED THE GOVERNMENT TO CHANGE ITS POSITION. WE CONTINUE TO HEAR THE SAME LITURGY THAT THE GOVERNMENT "OPPOSES AND DEPLORES ALL TRADE BOYCOTTS THAT LACK INTERNATIONAL SUPPORT AND

AUTHORITY." THE BASIC GUIDANCE TO BUSINESSMEN REMAINS
THAT "IT IS FOR EACH INDIVIDUAL FIRM TO DECIDE IN THE
LIGHT OF ITS OWN COMMERICAN INTERESTS WHAT ITS ATTITUDE
IS TO BE TOWARDS THE BOYCOTT."

7. U.S. GOVERNMENT ACTIONS ON THE BOYCOTT ARE WATCHED
CAREFULLY BY BRITISH OFFICIALS, HOWEVER, AND PASSAGE OF
STRICTER ANTIBOYCOTT LEGISLATION BY THE U.S. CONGRESS

WOULD BE CAREFULLY ANALYZED HERE.

ARMSTRONG

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Message Attributes

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